



0000055838

ORIGINAL
RECEIVED

2003 APR 28 P 4: 24

BEFORE THE ARIZONA CORPORATION COMMISSION

MARC SPITZER
Chairman
JAMES M. IRVIN
Commissioner
WILLIAM MUNDELL
Commissioner
JEFF HATCH-MILLER
Commissioner
MIKE GLEASON
Commissioner

AZ CORP COMMISSION
DOCUMENT CONTROL
Arizona Corporation Commission
DOCKETED

APR 28 2003

DOCKETED BY	
-------------	--

IN THE MATTER OF QWEST
COMMUNICATIONS INTERNATIONAL
INC.'S, QWEST SERVICES
CORPORATION'S, AND QWEST
CORPORATION'S NOTICE OF SALE,
REQUEST FOR WAIVER, OR
APPLICATION FOR APPROVAL OF THE
SALE OF THE ARIZONA OPERATIONS OF
QWEST DEX, INC.

DOCKET No. T-01051B-02-0666

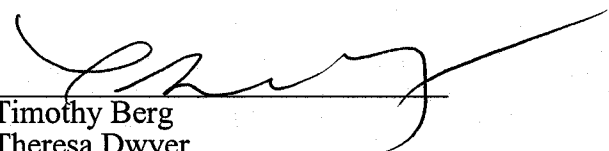
**QWEST CORPORATION'S NOTICE OF
FILING TESTIMONY OF MAUREEN
ARNOLD**

Qwest Corporation ("Qwest") hereby provides notice of filing the Testimony of Maureen Arnold in support of the above referenced matter.

DATED this 28th day of April, 2003.

FENNEMORE CRAIG

By


Timothy Berg
Theresa Dwyer
3003 North Central Avenue, #2600
Phoenix, AZ 85012-2913

Attorneys for Qwest Corporation

1

2 **ORIGINAL and 13 COPIES** filed
this 28th day of April 2003, with:

3

4 Docket Control
ARIZONA CORPORATION COMMISSION
1200 West Washington Street
5 Phoenix, AZ 85007

6

7 **COPY** hand-delivered
this 28th day of April 2003, to:

8 Christopher Kempley, Chief Counsel
Legal Division
9 ARIZONA CORPORATION COMMISSION
1200 West Washington Street
10 Phoenix, Arizona 85007

11 Lyn Farmer
Legal Division
12 ARIZONA CORPORATION COMMISSION
1200 West Washington Street
13 Phoenix, Arizona 85007

14 Ernest G. Johnson
Director, Utilities Division
15 ARIZONA CORPORATION COMMISSION
1200 West Washington
16 Phoenix, Arizona 85007

17 **COPY** mailed this
28th day of April, 2003, to:

18

19 Scott S. Wakefield
Chief Counsel
Residential Utility Consumer Office
20 1110 West Washington, Suite 220
Phoenix, AZ 85007

21

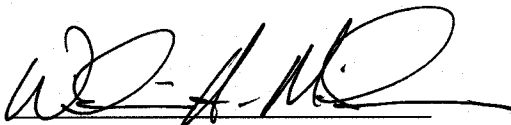
22 Thomas F. Dixon
WorldCom, Inc.
707 17th Street, 39th Floor
23 Denver, CO 80202

24 Thomas H. Campbell
Michael T. Hallem
25 Lewis and Roca
40 N. Central Avenue
26 Phoenix, AZ 85004

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

Russell P. Rowe
William C. Brittan
Campbell, Bohn, Killin, Brittan & Ray, LLC
270 St. Paul Street, Suite 200
Denver, CO 80206

Peter Q. Nyce, Jr.
General Attorney – Regulatory Law Office
Office of the Judge Advocate General
Department of the Army (DOD/FEA)
Litigation Center JALS-RL, Suite 713
901 N. Stuart Street
Arlington, VA 22203-1837



BEFORE THE ARIZONA CORPORATION COMMISSION

**IN THE MATTER OF QWEST
COMMUNICATIONS, INTERNATIONAL
INC.'S, QWEST SERVICES
CORPORATION'S, AND QWEST
CORPORATION'S NOTICE OF SALE,
REQUEST FOR WAIVER, OR
APPLICATION FOR APPROVAL OF THE
SALE OF THE ARIZONA OPERATIONS
OF QWEST DEX, INC.**

DOCKET NO. T-01051B-02-0666

TESTIMONY

OF

MAUREEN ARNOLD

IN SUPPORT OF STIPULATION

ON BEHALF OF

QWEST CORPORATION

APRIL 28, 2003

TABLE OF CONTENTS

	<u>PAGE</u>
I. IDENTIFICATION OF WITNESS.....	1
II. QWEST'S SUPPORT OF STIPULATION.....	1
III. CONCLUSION.....	4

1

I. IDENTIFICATION OF WITNESS

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 A. My name is Maureen Arnold. I am employed by Qwest. My business
4 address is 4041 N. Central Ave., Phoenix, Arizona.

5 **Q. ARE YOU THE SAME MAUREEN ARNOLD WHO FILED DIRECT AND**
6 **SURREBUTTAL TESTIMONY FOR QWEST IN THIS DOCKET?**

7 A. Yes.

8

II. QWEST'S SUPPORT OF STIPULATION

9 **Q. WHAT IS THE PURPOSE OF THIS TESTIMONY?**

10 A. The purpose of my testimony is to state why Qwest believes the Stipulation
11 between the Commission Staff and Qwest is in the public interest and should
12 be adopted by this Commission. I incorporate into this testimony portions of
13 my Surrebuttal Testimony filed on April 18, 2003 that address the Stipulation.

14 **Q. PLEASE DESCRIBE THE STIPULATION BETWEEN QWEST AND STAFF.**

15 A. The pertinent parts of the Stipulation provide that (1) the parties agree that
16 the Application filed by Qwest should be approved by the Commission; (2) the
17 1988 Settlement Agreement between Mountain Bell and the Commission is
18 superceded; and (3) starting July 1, 2003, for a period of fifteen years,
19 directory revenues in the amount of \$72 million a year will be imputed to

1 Qwest in any rate case, earning or price cap review proceedings or other rate
2 proceeding. The imputation ceases after the 15 year period.

3 **Q. IS THE STIPULATION IN THE PUBLIC INTEREST?**

4 A. Yes, it is. First, the level of imputation increases from a presumptive level of
5 \$43 million as set by the 1988 Settlement Agreement to a definite amount of
6 \$72 million. This change will have a significant impact on the rates paid by
7 Qwest-Arizona customers for the next 15 years. Qwest's revenue
8 requirement, and therefore its rates, will be lower than they otherwise would
9 be absent the Stipulation. Second, the approval of the Application is
10 necessary in order to close the Rodney portion of the directory sale and will
11 help Qwest meet its immediate financial needs. Third, replacing the
12 methodology of imputing the fees and value of services received by Qwest
13 from Dex with a flat amount removes uncertainty and complexity from future
14 rate proceedings.

15 **Q. IS THE INCREASE FROM A PRESUMPTIVE \$43 MILLION TO A DEFINITE**
16 **\$72 MILLION REALLY A BENEFIT TO THE STIPULATION?**

17 A. Yes. The 1988 Settlement Agreement remains in effect, pending the
18 Commission's decision to adopt and approve the Stipulation and approve
19 Qwest's Application. Absent those events, the Commission may not change
20 the imputation methodology established by the 1988 Agreement, which is
21 based on the fees and value of services Qwest receives from Dex.

1 **Q. WHY DO YOU BELIEVE THE 1988 AGREEMENT APPLIES TO THIS**
2 **APPLICATION?**

3 A. Prior to 1984, Mountain Bell owned the directory publishing operations. In the
4 1988 Agreement, the Commission agreed to accept as valid and not
5 challenge further the transfer from Mountain Bell to U S WEST Direct, Dex's
6 predecessor. Once the directory publishing operations were transferred to
7 the directory publishing affiliate (then U S WEST Direct, now Dex) and the
8 Commission accepted the validity of that transfer, those operations were no
9 longer owned by an entity regulated by this Commission. No Arizona statute
10 requires Commission approval for the transfer of a business or assets that are
11 not owned by a public service corporation. Any review by the Commission of
12 the transaction under the Affiliate Rules must be governed by the
13 Commission's prior recognition that Dex owns the directory publishing assets
14 and Qwest Corporation does not.

15 Any claim that the Commission can unilaterally change the imputation
16 methodology set in the 1988 Agreement or now impose conditions on the
17 transfer of assets for Dex to the buyer amounts to an indirect challenge to the
18 validity of the original transfer from Mountain Bell to Dex. It is my
19 understanding that the Arizona Court of Appeals said that the Commission
20 could not challenge the 1984 transfer directly or indirectly.

21 Unless the 1988 Agreement is superceded by the Stipulation between Qwest
22 and Staff in this proceeding, imputation in future rate proceedings remains

3 III. CONCLUSION

4 Q. SHOULD THE COMMISSION APPROVE THE STIPULATION?

5 A. Yes.

6 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

7 A. Yes.

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF QWEST
COMMUNICATIONS, INTERNATIONAL
INC.'S, QWEST SERVICES
CORPORATION'S, AND QWEST
CORPORATION'S NOTICE OF SALE,
REQUEST FOR WAIVER, OR
APPLICATION FOR APPROVAL OF THE
SALE OF THE ARIZONA OPERATIONS
OF QWEST DEX, INC.

DOCKET NO. T-01051B-02-0666

AFFIDAVIT OF
MAUREEN ARNOLD

SS

STATE OF ARIZONA
COUNTY OF MARICOPA

Maureen Arnold, of lawful age being first duly sworn, depose and states:

1. My name is Maureen Arnold. I am Director of Regulatory Matters for Qwest Corporation in Phoenix, Arizona. I have caused to be filed written testimony in support of stipulation in Docket No. T-01051B-02-0666.
2. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded are true and correct to the best of my knowledge and belief.

Further affiant sayeth not.

Maureen Arnold

Maureen Arnold

SUBSCRIBED AND SWORN to before me this 18th day of April, 2003.

Josie Maldonado
Notary Public

My Commission Expires: 9-18-04

